



## ANNUAL USE OF CAPITAL SURVEY - 2009

## NAME OF INSTITUTION

(Include Holding Company Where Applicable)

BNC Bancorp

Person to be contacted regarding this report:	David B. Spencer, CFO
CPP Funds Received:	\$31,260,000
CPP Funds Repaid to Date:	\$0
Date Funded (first funding):	12/5/2008
Date Repaid <sup>1</sup> :	

RSSD: (For Bank Holding Companies)	1908082
Holding Company Docket Number: (For Thrift Holding Companies)	N/A
FDIC Certificate Number: (For Depository Institutions)	33527
City:	High Point
State:	North Carolina

<sup>1</sup>If repayment was incremental, please enter the most recent repayment date.

*American taxpayers are quite interested in knowing how banks have used the money that Treasury has invested under the Capital Purchase Program (CPP). To answer that question, Treasury is seeking responses that describe generally how the CPP investment has affected the operation of your business. We understand that once received, the cash associated with TARP funding is indistinguishable from other cash sources, unless the funds were segregated, and therefore it may not be feasible to identify precisely how the CPP investment was deployed or how many CPP dollars were allocated to each use. Nevertheless, we ask you to provide as much information as you can about how you have used the capital Treasury has provided, and how your uses of that capital have changed over time. Treasury will be pairing this survey with a summary of certain balance sheet and other financial data from your institution's regulatory filings, so to the extent you find it helpful to do so, please feel free to refer to your institution's quarterly call reports to illustrate your answers. This is your opportunity to speak to the taxpayers in your own words, which will be posted on our website.*

What specific ways did your institution utilize CPP capital? Check all that apply and elaborate as appropriate, especially if the uses have shifted over time. Your responses should reflect actions taken over the past year (or for the portion of the year in which CPP funds were outstanding).

<input checked="" type="checkbox"/> Increase lending or reduce lending less than otherwise would have occurred.	BNC has been able to continue to lend in our communities due to the added capital through the CPP program. Not only have we made new loans sufficient to offset the paydowns and prepayments, but we have actually grown our loan portfolio since receiving CPP Capital.
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☒	To the extent the funds supported increased lending, please describe the major type of loans, if possible (residential mortgage loans, commercial mortgage loans, small business loans, etc.).	We have concentrated our efforts in the areas of residential mortgage, small business, and commercial real estate.
☒	Increase securities purchased (ABS, MBS, etc.).	The CPP funds allowed us to purchase over \$280 million in agency sponsored MBS, and another \$100 million in Bank Qualified Municipal securities.
☒	Make other investments	With the added CPP capital and income generated from the MBS and securities purchases, we have continued to hire, increasing our staff by approximately 45 employees since receiving the CPP capital. In addition, we have spent over \$3 million on technology and facility upgrades.
☒	Increase reserves for non-performing assets	Through the income generated from the investments discussed above, we have been able to increase our reserve for loan losses from 1.30% to 1.60%. In addition, we have been aggressive in recognizing impairments, and working with borrowers who desire to modify their loans.

<input checked="" type="checkbox"/>	Reduce borrowings	We have reduced our reliance on borrowings from the FHLB.
<input checked="" type="checkbox"/>	Increase charge-offs	As stated earlier, we have been able to recognize impairments, and work with borrowers at values that represent market conditions today.
<input checked="" type="checkbox"/>	Purchase another financial institution or purchase assets from another financial institution	We were able to bid on an FDIC assisted transaction due to the benefits of the CPP capital. We completed the acquisition for the most cost effective resolution for the FDIC, thus saving the BIF funds. This also resulted in CPP Warrant appreciation that resulted in greater return to the US Treasury.
<input type="checkbox"/>	Held as non-leveraged increase to total capital	

What actions were you able to avoid because of the capital infusion of CPP funds?

Because of the CPP capital infusion we avoided having to drastically decrease our ability to make loans to credit-worthy customers in our market area. As the US Treasury realized, a bank must have 10 cents in capital for every dollar they lend. When the capital markets dried up, our bank was like most others... no access to capital meant no way to continue to grow loans. With the added capital from the CPP Program, BNC had the necessary "seed money" to continue to meet the credit needs of our communities. While lending standards obviously were more stringent given the uncertainty in the economy and the increased risk of default being experience at BNC and throughout our industry, BNC continued to seek out and make loans to individual and business borrowers and with underlying fundamentals necessary to extend and ultimately collect on the obligation.

What actions were you able to take that you may not have taken without the capital infusion of CPP funds?

A key result of CPP capital was the introduction of our Builder Participation Program. With the secondary mortgage market functioning less than efficiently, BNC stepped in with a pool of \$50 million in mortgage credit to support purchases of homes that had been constructed by our customers who are builders in our market area. With terms that were less stringent than those offered in the secondary market, BNC extended over \$32 million in residential mortgage credit. This prevented many of our builders from experiencing further deterioration in financial health, and we think ultimately gave many of these builders the hope and incentive to continue to fight through these tough times. Incidentally, the \$32 million extended under this program mirrors the amount of CPP capital BNC received.

As mentioned earlier, a general ability to continue to lend and meet the credit needs of our communities would not have been possible without the CPP capital.

Please describe any other actions that you were able to undertake with the capital infusion of CPP funds.

The CPP funds allowed us to purchase over \$380 million in agency sponsored MBS and Bank Qualified Municipal Securities. The income generated from these investments, along with CPP dollars, have enabled us to hire over 45 additional employees at a time when most businesses were laying off employees. Our hiring has certainly helped strengthen the economy in our market area in some measure. We also have been able to build our infrastructure through technology and facility up-grade purchases, putting money into the economy when other companies were not making any capital expenditures.